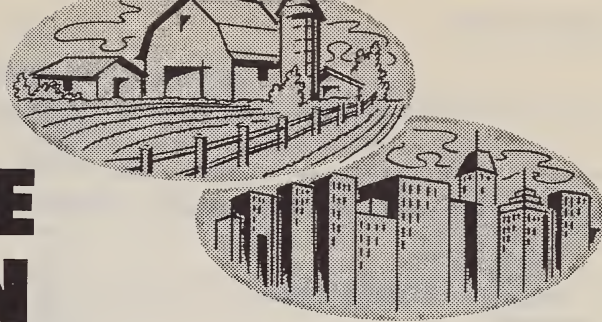


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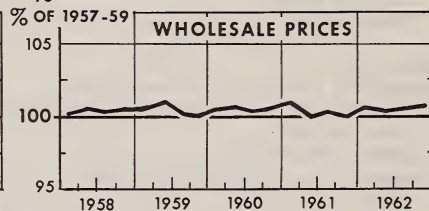
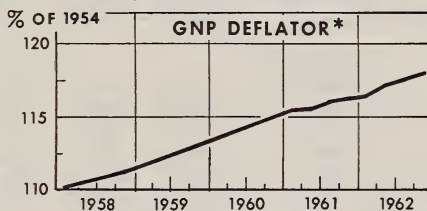
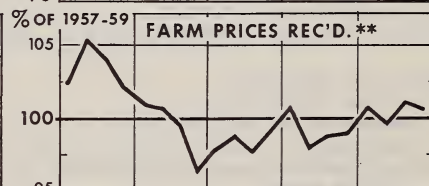
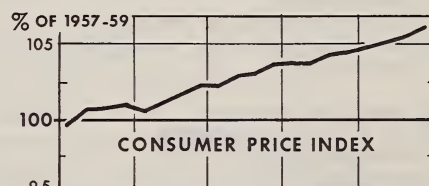
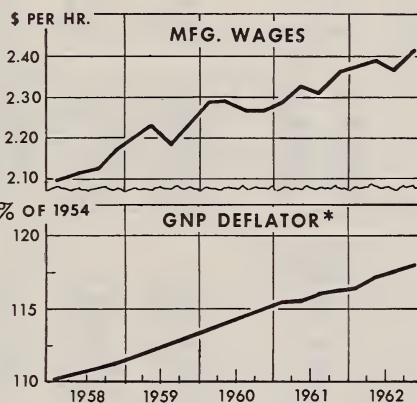


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JANUARY 1963

MAJOR PRICE MOVEMENTS 1958-62 Quarterly



* 1962 IV QUARTER ESTIMATED. ** NOT SEASONALLY ADJUSTED.
SOURCES: U. S. DEPT. OF COMMERCE; U. S. DEPT. OF LABOR; U. S. DEPT. OF AGRICULTURE.

U. S. DEPARTMENT OF AGRICULTURE

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AGRICULTURE**

IN THIS ISSUE

Federal Budget 1964

Economic Report of the President

ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1961		1962			
		Year	Dec.	Sept.	Oct.	Nov.	Dec.
Industrial production, seasonally adj. <u>1/</u>	1957-59=100	110	116	120	119	120	120
Final products	do.	111	117	122	122	122	122
Consumer goods	do.	113	118	122	121	121	122
Autos	do.	109	136	141	142	141	142
Equipment, including defense	do.	108	115	123	124	123	123
Materials	do.	108	115	118	117	118	118
Construction: <u>2/ 3/</u>							
Total outlays	Mil. dol.	57,399	59,006	62,358	63,517	62,637	62,417
Public construction	Mil. dol.	17,034	17,125	17,382	19,674	18,739	18,372
Private residential	Mil. dol.	40,365	41,881	44,976	43,843	43,898	44,045
Housing starts, private only	Thousands	1,313	1,295	1,289	1,550	1,591	1,499
Manufacturers' sales and inventories: <u>2/</u>							
Total sales, seasonally adjusted	Mil. dol.	30,730	32,400	33,680	33,480	34,000	-
Durable goods	Mil. dol.	14,540	15,660	16,340	16,340	16,540	-
Unfilled orders-sales ratio <u>4/</u>		3.10	2.88	2.70	2.67	2.62	-
Inventory-sales ratio, total <u>5/</u>		1.80	1.70	1.70	1.71	1.68	-
Durable goods		2.16	2.01	2.00	2.00	1.97	-
Employment and wages: <u>6/</u>							
Total civilian employment	Millions	66.8	66.5	68.7	68.9	68.0	67.6
Nonagricultural	do.	61.3	62.0	63.1	63.4	63.1	63.5
Unemployment	do.	4.8	4.1	3.5	3.3	3.8	3.8
Workweek in manufacturing	Hours	39.8	40.6	40.7	40.3	40.4	40.5
Hourly earnings in manufacturing	Dollars	2.32	2.38	2.40	2.40	2.41	2.42
Income and spending:							
Personal income <u>2/ 3/</u>	Bil. dol.	416.4	430.5	443.5	445.6	448.2	450.4
Consumer credit outstanding <u>1/</u>	Mil. dol.	57,678	57,678	60,126	60,624	61,473	-
Automobile	Mil. dol.	17,223	17,223	18,881	19,083	19,307	-
Total retail sales, seasonally adj. <u>2/</u>	Mil. dol.	18,234	18,827	19,618	19,744	20,189	20,238
Durable goods	Mil. dol.	5,608	5,915	6,125	6,481	6,534	6,530
Inventory-sales ratio <u>5/</u>		1.37	1.43	1.39	1.39	1.36	-
Prices: <u>6/</u>							
Wholesale prices, all commodities	1957-59=100	100.3	100.4	101.2	100.6	100.7	100.4
Commodities other than farm and food	do.	100.8	100.9	100.8	100.7	100.7	100.7
Farm products	do.	96.0	95.9	100.6	98.7	99.3	97.3
Foods processed	do.	100.7	101.0	103.3	101.5	101.3	100.9
Consumer price index, all items	do.	104.2	104.5	106.1	106.0	106.0	105.8
Food	do.	102.6	102.0	104.8	104.3	104.1	103.5
Prices received by farmers <u>7/</u>	1910-14=100	240	240	250	245	245	242
Crops	do.	226	224	232	226	227	224
Livestock and products	do.	251	254	266	261	262	258
Prices paid, interest, taxes and wage rates <u>7/</u>	1910-14=100	302	302	307	307	307	308
Family living items	do.	291	292	294	294	295	296
Production items	do.	266	267	271	271	271	272
Parity ratio <u>7/</u>		79	79	81	80	80	79
Farm income and marketings: <u>7/</u>							
Volume of farm marketings	1947-49=100	136	146	155	200	186	147
Cash receipts from farm marketings	Mil. dol.	35,243	3,245	3,543	4,435	4,032	3,142

Annual data for most of the items for years 1929, 1939, 1941 and 1947-60 appear on page 41 of the April 1962 issue of The Demand and Price Situation.

1/ Federal Reserve Board. 2/ U. S. Department of Commerce. 3/ Seasonally adjusted annual rates.

4/ Unfilled orders for durables divided by monthly deliveries. 5/ Inventories, book value, end of month, divided by sales. 6/ U. S. Department of Labor. 7/ U. S. Department of Agriculture.

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T H E D E M A N D A N D P R I C E S I T U A T I O N
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Approved by the Outlook and Situation Board, January 28, 1963

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SUMMARY

The general level of business activity moved higher in 1962 and totaled nearly 7 percent above 1961. Activity is expected to rise a little further in 1963. The economy is continuing to grow...but is not fully utilizing available resources. Unemployment continues at a rate equal to more than 5½ percent of the labor force; output of steel mills has increased recently but they are operating at only about 60 percent of capacity.

The Gross National Product of the economy totaled \$554 billion in 1962, a gain of \$35 billion from 1961. Increased consumption expenditures, including an additional \$4 billion for food and beverages, accounted for \$19 billion of the rise. Government purchases of goods and services rose \$10 billion, reflecting increased Federal spending for defense and public construction as well as increased outlays by State and local Governments. Excess productive capacity, slow expansion in demand, and recent relatively stable levels of industrial production were associated with a comparatively small increase in gross private domestic investment of only \$7 billion from 1961 to 1962.

Personal income increased nearly 6 percent from 1961 to a rate of \$441 billion in 1962. Wage and salary disbursements, which account for two-thirds of personal income, rose in about the same proportion as personal income. But wage and salary disbursements in commodity producing industries declined slightly in the second half of 1962 from a high in the second quarter.

Domestic markets for farm products continued to rise with population growth in 1962, and farm product exports remained close to year-earlier levels. Realized net income of farm operators in 1962 is estimated at \$12.9 billion, slightly above the \$12.8 billion reported in 1961. With the general level of prices received by farmers up 1 percent from 1961 and the volume of marketings about unchanged, cash receipts from marketings rose around \$500 million. Government payments to farmers also rose from 1961 levels. But with increasing prices paid and increased use of farm production items, production costs rose nearly as much as the gain in gross farm income.

Farm output gained about 1 percent from year-earlier levels as record yields were harvested from fewer acres than in 1961. If weather is about as favorable as last year, output likely will inch up a little further in 1963, with little change in crops but with more cattle, calves, and hogs. Small changes in the general level of prices received by farmers are seen for 1963.

COMMODITY HIGHLIGHTS

Red meat production in the first half of 1963 will be above a year earlier, with more beef and pork but less veal, lamb and mutton. The January 1, 1963 inventory of cattle and calves on feed was up 12 percent from a year earlier. The fall pig crop was up 5 percent and prices for hogs probably will remain below 1962 prices through the first half of 1963. In addition, the spring pig crop likely will be up 4 percent from the 1962 spring crop.

Cattle prices are expected to fall below those of a year earlier this winter and are expected to continue below through the spring.

Milk production in October-December 1962 was 1 percent greater than in 1961. Price support levels were reduced in April 1962 and for the whole year prices received for all wholesale milk averaged 3 percent below a year earlier. While the rate of increase in milk output slowed at year-end, production in the first quarter of 1963 may continue above year-earlier levels. During the first quarter of 1963, wholesale milk prices are averaging around 15 cents per cwt. below those of a year earlier.

Egg production in early 1963 is running below year-earlier levels; the rate of lay is larger but the Nation's laying flock slightly smaller. The flock likely will increase to year-earlier size in late 1963, resulting in egg production in the last half above that in the last half of 1962. Egg prices likely will remain a little stronger in the first quarter of 1963 relative to a year earlier.

Supplies of broilers going to market in the first quarter of 1963 will be about 10 percent greater than in January-March 1962, but egg settings for broiler chicks are being reduced and production will be cut back. Broiler prices may continue below year-earlier levels during the first half of 1963. Turkey production prospects for 1963 are for a little more than the 92 million birds raised in 1962. Turkey prices, which rose 14 percent in 1962 from the low 1961 prices, are expected to be much higher than a year earlier in the first half of 1963.

Domestic wool prices are running 3 to 4 cents (grease basis) above year-earlier levels. World wool prices are expected to remain at relatively high levels through the first quarter of 1963. The strong price situation reflects steady demand coupled with smaller world supplies and lower world production than a year earlier.

Domestic use of wheat is expected to continue around 600 million bushels in the 1962-63 marketing year, but exports likely will be less than year-earlier shipments. Wheat production in 1962 was 12 percent below the 1961 production level and wheat carryover on July 1, 1963, is expected to be further reduced.

Feed grain production in 1962 was 143 million tons, slightly more than in 1961. Exports so far this marketing year are running above year-earlier shipments and, with increased grain feeding, disappearance likely will rise further. Carryover stocks of feed grains into the 1963-64 year likely will be below year-earlier stocks. Feed prices were slightly higher in October-December than a year earlier. High-protein feed prices were considerably higher.

Food fat supplies are up around 5 percent for the 1962-63 marketing year. Strong demand for edible fats and oils in both domestic and foreign markets is expected to increase total disappearance 8 percent above that of the previous marketing year. Carryover stocks next October 1 will be down slightly from the 2.6 billion pounds of a year earlier. This decrease will reflect mainly reductions in inventories of finished products.

Damaging freezes occurred in principal citrus states in December-January and lighter supplies of citrus fruit are in prospect for the first half of 1963 compared with year-earlier supplies. Prices for citrus fruits, especially oranges and grapefruit, rose considerably since the first week in December and are expected to continue above year-earlier prices.

Supplies of tender, fresh vegetables are smaller now than a year ago and, with continued high level of consumer demand, prices of many fresh items this winter are averaging above year-earlier prices. Supplies of canned vegetables appear to be moderately larger than a year earlier. Supplies of potatoes available for marketing into midspring are smaller than a year earlier; remaining supplies of sweetpotatoes are larger.

Cotton production in 1962-63, despite reduced acreage, was estimated about 400,000 bales larger than the 1961 crop, but domestic utilization and exports are expected to be lower. Smaller consumption is expected because of a turndown in the cotton consumption cycle and record-high imports of cotton textiles and production of synthetic fibers. Increased world supplies are leading to a decline in U. S. exports. In consequence, total cotton disappearance is likely to decline around 1.1 million bales from the level of the 1961-62 season. Carryover next August 1 may total around 2 million bales larger than the August 1, 1962, carryover. Average farm prices for cotton have been around one-half cent per pound below year-earlier prices so far in the current marketing year.

Supplies of flue-cured and burley tobacco for the 1962-63 marketing year are each up around 4 percent from year-earlier supplies. Although exports of unmanufactured tobacco were down about 4 percent in calendar 1962 from 1961, domestic consumption of cigarettes and cigars rose about 1 percent. The 1963 crop overall price support will be up about 1 percent from 1962.

GENERAL AGRICULTURAL SITUATION

Demand for Farm Products Rises
Further in 1962

Domestic utilization of farm products in 1962 totaled an estimated 1.6 percent larger than in 1961; the volume of exports was down a little from 1961. With crop and livestock production close to 1961 rates, total utilization was in excess of production plus imports. Reductions in feed grains and wheat stocks more than offset the buildup in stocks of cotton, soybeans, and dairy products. Food utilization increased slightly more than the rise in population from 1961 to 1962. A further increase in domestic consumption is expected in 1963 with increases in per capita consumption of beef, pork and poultry and reduced consumption of milk, eggs, grain products, and possibly fruits and vegetables.

Increasing demand for farm products reflects a growing population and rising purchasing power. Population increased about $1\frac{1}{2}$ percent and real disposable income about 4 percent from 1961 to 1962. Disposable personal income per capita, after adjustment for price level changes, increased about $2\frac{1}{2}$ percent from 1961. The 4-percent rise in consumer expenditures for food reflected a 1-percent price increase and population increases, as well as more marketing and processing services. The food component of the Consumer Price Index rose in 1962 to 103.6 percent of its 1957-59 average from 102.6 in 1961.

Farm Income Increased
in 1962

Preliminary estimates for 1962 indicate another small gain in realized net farm income, about \$100 million over the \$12.8 billion in 1961. The small gain in total farm income and a further drop in the number of farms pushed the average net income realized per farm to a record high of \$3,500 in 1962, up 4 percent from 1961. Per capita personal income of the farm population from all sources continued around 59 percent of the average for the nonfarm population.

Cash receipts from farm marketings and Government payments were about \$700 million higher in 1962 than in 1961. There was little change in the volume of marketings, but higher average prices for farm products pushed receipts to \$35.7 billion in 1962 from \$35.2 billion a year earlier. Crop prices averaged 2 percent higher; livestock and livestock product prices 1 percent higher than in 1961. Larger cash receipts from cattle and calves, hogs, cotton, truck crops, and broilers offset declines for wheat, citrus, eggs and dairy products. Government payments to farmers totaled about 20 percent larger than the \$1,484 million paid in 1961; payments under the Feed Grain and Wheat Programs contributed to the increase.

Production expenses rose again--about \$600 million--to \$27.7 billion in 1962, and offset most of the gain in realized gross farm income. Prices paid by farmers for production items, interest, taxes, and wage rates went up almost 2 percent. All major input items were priced higher--except fertilizer, and building and fencing materials. Prices paid for replacement and feeder livestock and seed rose 4 percent during 1962, while feed prices averaged 1.5 percent higher. Wage rates rose 3 percent, but this was offset by a drop in the number of hired hands.

Prices Received by Farmers
Rose 1 Percent in 1962

Prices received by farmers averaged 243 percent of their 1910-14 level in 1962, up 3 points from 1961. They fell to a low of 239 in June from 242 in January 1962. After climbing to a high of 250 in September, the price level declined to 242 in December and declined slightly further this January.

Crop prices (table 1) averaged 5 points above 1961, reflecting a reduced volume of marketings, higher price supports, large exports, and a reduction in grain carryover stocks. Food grain prices to growers averaged 8 percent higher, with a peak for the year of \$2.02 per bushel for wheat in December. Feed grain prices averaged 153 percent of their 1910-14 level during 1962, up 2 points from a year earlier. At year end, farmers were receiving an average of \$1.00 per bushel for corn and \$1.64 per cwt. for grain sorghums. Cotton prices in 1962 averaged 2 percent above 1961; oil-bearing crop prices were down 3½ percent on the average. The yearly low for the oil group was in September, just before the Cuban crisis, when soybeans were \$2.25 per bushel.

Table 1.--Indexes of local market prices, 1962, with comparisons

Item	Unit	1961 average	1962		
			High	Low	Average
All farm products	: 1910-14=100	: 240	250	239	243
All crops	: 1910-14=100	: 226	243	224	231
Food grains	: 1910-14=100	: 209	231	218	226
Wheat, bu.	: Dollars	: 1.80	2.02	1.87	1.96
Feed grains and hay	: 1910-14=100	: 151	159	147	153
Corn, bu.	: Dollars	: 1.00	1.04	.938	.998
Gr. sorghums, cwt.	: Dollars	: 1.59	1.74	1.61	1.67
Cotton	: 1910-14=100	: 262	280	246	267
Oil-bearing crops	: 1910-14=100	: 257	255	238	248
Soybeans, bu.	: Dollars	: 2.50	2.38	2.23	2.32
Livestock and livestock prod.	: 1910-14=100	: 251	266	242	254
Meat animals	: 1910-14=100	: 299	326	303	310
Cattle, cwt.	: Dollars	: 20.20	22.00	20.70	21.27
Hogs, cwt.	: Dollars	: 16.60	18.20	15.30	16.37

Department of Agriculture.

Livestock and product prices averaged 1 percent above year-earlier levels, despite a slightly larger volume of marketings. Livestock prices rose sharply during July-September to reach 266 percent of the 1910-14 average, the highest level in 43 months. With seasonally larger marketings, prices declined 8 points during October-December. Meat animal prices averaged 3.7 percent above 1961 levels in 1962. The meat animal index reached a low in April and May; the high was reached in September, with steers and heifers at \$24.80, hogs at \$18.20, and lambs at \$18.60. The dairy product price index in 1962 was 252, 3 percent below the 1961 level. The seasonal low in the index, 230, occurred in June. Poultry and egg prices averaged slightly less in 1962 than in 1961. Prices declined early in the year from a February high to a June low.

Central market prices in mid-January indicated that 1963 was beginning with little overall change from December in the level of prices received, although some further reduction was indicated in the meat animal and dairy products groups.

1963 Price Supports Up Slightly
for Feed Grains

Price support levels for feed grains were recently increased a little from the 1962 support levels; wheat remains at the 1962 level. Total support levels include both a loan and purchase agreement price as well as a payment-in-kind for wheat, corn, barley, and grain sorghums (table 2). On the average, the increase in total support level for the feed grains is about 4 percent. The loan and purchase agreement support level is less than the 1962 support level for those commodities on which payment-in-kind support is authorized.

Prices Paid by Farmers Increase
About Same as Prices Received

The Parity Index, or the Index of Prices Paid by Farmers for Commodities, Interest, Taxes, and Wage Rates, was up 4 points in 1962 from 1961. The index rose to a record high in December, 308 percent of its 1910-14 average, from a low for the year of 304 in January, with an average level for the year of 306. The average of prices paid in 1962 was up by about the same percentage as the increase in prices received, and the Parity Ratio, at 80, continued around the level of the previous 3 years.

Taxes per acre on farm real estate rose 6 percent from the 1961 level; interest per acre on farm mortgage indebtedness rose 4 percent, farm wage rates rose 3 percent, and the indices of prices paid for family living and for production items each rose 1 percent. Evaluated as of June 1962 price levels, the index of prices for production items accounted for 49.02 percent of the Parity Index. The index of prices paid for family living items accounted for 38.84 percent, wages 7.69 percent, taxes 2.91 percent, and interest 1.54 percent. Accordingly, a 1-percent change in any of these major components would result in a change in the Parity Index proportionate to their relative importance in the overall index.

Table 2.--Price support for 1963 crops of selected grains compared with 1962

Commodity	1963 crop			1962 crop support
	Loan and purchase agreement	Payments-in-kind	Total support	
Wheat (Bu.)	\$1.82	\$.18	\$2.00	\$2.00
Corn (Bu.)	1.07	.18	1.25	1.20
Grain sorghum (Cwt.)	1.71	.29	2.00	1.93
Barley (Bu.)	.82	.14	.96	.93
Oats (Bu.)	.65	-	.65	.62
Rye (Bu.)	1.07	-	1.07	1.02

Farm Output Rises, but
January 1 Stocks Were Down

Farm output in 1962 was about 1 percent greater than the 1961 record and 8 percent above the 1957-59 average. Among livestock, small gains in meat animals, dairy products, and eggs were about offset by less production of poultry.

Crop acreage planted and harvested were each down 3 percent in 1962 from a year earlier, largely the result of farmer participation in the 1962 Wheat and Feed Grain Programs. With favorable weather in the North Central Region more than offsetting weather setbacks in other parts of the country,

Table 3.--Stocks of grains, January 1, 1963, with comparisons

Grain	January 1, 1957-61 average		January 1, 1962	
	On Farms <u>1/</u>	Total	On Farms <u>1/</u>	Total
	<u>Mil. bu.</u>	<u>Mil. bu.</u>	<u>Mil. bu.</u>	<u>Mil. bu.</u>
All wheat	359.3	1,727.4	359.5	1,982.6
Rye	9.9	21.9	7.8	19.5
Corn	2,689.3	3,980.2	3,021.6	4,494.6
Oats	788.7	873.8	694.5	774.7
Barley	201.7	353.6	181.2	335.5
Sorghum	170.4	667.1	148.5	1,038.2
Soybeans	185.6	410.9	258.4	520.6
Flaxseed	12.2	25.6	6.9	15.7
	October 1, 1962		January 1, 1963	
	On Farms <u>1/</u>	Total	On Farms <u>1/</u>	Total
	<u>Mil. bu.</u>	<u>Mil. bu.</u>	<u>Mil. bu.</u>	<u>Mil. bu.</u>
All wheat	407.2	2,071.1	317.5	1,813.1
Rye	20.4	33.4	13.8	23.6
Corn	565.3	1,639.5	2,972.0	4,221.5
Oats	868.6	978.0	701.1	778.3
Barley	277.3	449.1	212.3	341.1
Sorghum	24.2	660.9	176.2	1,020.3
Soybeans	13.8	57.6	228.1	527.7
Flaxseed	14.9	26.7	11.2	24.4

1/ Estimates of the Crop Reporting Board

Department of Agriculture.

yields were up around 4 percent. Total crop production increased. New yield records were established for several crops, including feed grains, hay, and tobacco. With a larger acreage quota, tobacco production was about 10 percent more than in 1961. Feed grain production totaled 143 million tons, up 2 percent from a year earlier. Hay and cotton production increases also contributed significantly to the overall rise in farm output. The most important crop decrease was in the food grains group...down 8 percent; a 12 percent decrease in wheat more than offset gains in rye and rice production.

Table 4.--Farm production: Index numbers of total farm output, gross production of livestock and crops, United States 1/

(1957-59=100)			
Item	1960	1961 Revised	1962 Preliminary <u>2/</u>
Farm output	106	107	108
All livestock and livestock products <u>3/</u>	102	107	107
Meat animals	103	107	108
Dairy products	101	103	104
Poultry and eggs	104	112	110
All crops <u>4/</u>	108	107	108
Feed grains	109	99	101
Hay and forage	103	101	106
Food grains	115	106	97
Vegetables	103	111	109
Fruits and nuts	98	110	108
Sugar crops	102	116	121
Cotton	116	116	119
Tobacco	112	119	131
Oil crops	105	122	123

1/ For historical data and explanation of indexes, see, "Changes in Farm Production and Efficiency," USDA Statistical Bulletin No. 233.

2/ Preliminary indexes for 1962 based on December 1962, "Crop Production" report and other releases of the Crop Reporting Board, SRS.

3/ Gross livestock production includes minor livestock products not included in the separate groups shown. It cannot be added to gross crop production to compute farm output.

4/ Gross crop production includes fruits and nuts and some miscellaneous crops not in the separate groups shown. It cannot be added to gross livestock production to compute farm output.

Prepared jointly by Economic Research Service and Statistical Reporting Service.

Crop marketings and feeding were larger in calendar 1962 than in 1961. Stocks of grain (table 3) on farms January 1, 1963, were below the year-earlier level. Wheat and soybean stocks on farms were down about 12 percent and corn stocks were 2 percent smaller, but stocks of hay increased about 5 percent and stocks of other grains also increased significantly during 1962.

Farm Employment Continues to Decline

The number of persons working on farms in 1962 was about 3 percent less than a year earlier, according to the January farm labor report of USDA's Crop Reporting Board. The average wage rate per hour was up nearly 2 percent. Total farm employment for the 12 months of 1962 averaged 6.8 million persons, of which 73 percent was family labor and 27 percent hired labor. There were decreases in both family and in hired labor, continuing the downtrend of the past 2 decades. The 1962 level of employment was 50 percent of the 1910-14 average and was 90 percent of the 1957-59 average.

FACTORS AFFECTING DEMAND FOR FARM PRODUCTS

Gross National Product rose \$7 billion (seasonally adjusted annual rate)* from the third to the fourth quarter of 1962 to a level \$23 billion above the fourth quarter of 1961, according to preliminary estimates (table 5). Consumer expenditures were up more than \$5 billion from the previous quarter and purchases of goods and services by the Federal and State and local Governments were up nearly \$3 billion. Gross investment outlays were off more than \$1 billion as decreases in new construction and the rate of inventory accumulation more than offset small increases in spending for producers' durable equipment. Industrial production in the fourth quarter was unchanged from the third quarter, after seasonal adjustment. At the close of 1962, production was at a rate 4 percent higher than a year earlier. High levels of production continued in the automobile industry; steel production also increased. But excess productive capacity existed in a number of major industries, and unemployment continued above $5\frac{1}{2}$ percent of the labor force.

Income and Expenditures

Personal income in the fourth quarter, at \$448 billion, was up more than \$5 billion from the third quarter. Wages and salaries paid in commodity-producing industries actually declined somewhat. Small rises occurred in total wages paid in the distributive and service industries. Much of the increase was traceable to the recent increase in salaries of government employees, transfer payments, and a sharp increase in dividend income.

The composition of the change in personal income from the third to the fourth quarter of 1962 was quite different from that of the first quarter of expansion in early 1961. From the first to the second quarter of 1961, about 70 percent of the \$8 billion increase in personal income was in wages and salaries disbursed. In contrast, only 35 percent of the increase in the

* All figures are at seasonally adjusted annual rates except where noted.

fourth quarter of 1962 was in wages and salaries. Of the increase in wages and salaries paid in early 1961, over half was in commodity-producing industries. None of the more recent increase occurred in those industries.

Effective January 1, 1963, approximately \$1.9 billion was added to the social security tax due to an automatic increase in the tax rate. Half the increase is coming from businesses and half from wage earners. The increase will reduce personal disposable income by nearly \$1 billion, and business retained earnings by about \$0.5 billion.

Consumer expenditures increased more than \$5 billion in the fourth quarter to a level \$17 billion above a year earlier. The increased spending reflected both an increase in total income and a decrease in the rate of saving. Increased spending was mainly on durable goods. At \$49.7 billion, spending for durable goods was \$2.6 billion above the third quarter. Most of this increase was in automotive products, but purchases of furniture and other household equipment also rose.

Spending for nondurable goods in the fourth quarter was \$.7 billion greater than the \$163.0 billion in the previous quarter. Small increases occurred in purchases of food, petroleum products, and clothing. Expenditures for food and beverages account for over one-half of all nondurables.

Expenditures for services continued their steady upward trend, totaling \$150.1 billion in the fourth quarter, up from \$148.1 billion in the third quarter. Much of the increase in this category occurred in medical services, including a steady rise in prices.

Private Investment

Gross private domestic investment declined to \$75.0 billion in the fourth quarter from \$76.3 billion in the third. A \$0.6-billion rise in expenditures for producers' durable equipment was more than offset by declines in commercial and residential construction and in the rate of inventory accumulation. Total fixed investment, declined to \$74.5 billion in the fourth quarter from \$75.3 billion in the third. Inventory accumulation was at a \$0.5 billion annual rate.

Plant and equipment expenditures in the fourth quarter equaled \$38.4 billion, annual rate, the record level of the third quarter. During the first quarter of 1963 they are expected to be slightly lower.

Inventory stocks of both manufacturing and trade firms in the closing months of 1962 were about 4 percent above the 1961 fourth-quarter average, after seasonal adjustment. This was in line with the rise in sales. Consequently the combined inventory to sales ratio was about the same as the 1.49 for the fourth quarter of 1961. The possibility of a reopening of wage

Table 5.--Economic factors affecting agriculture, quarterly 1961
and 1962 at seasonally adjusted annual rates

Item	Unit	Year				1962			
		1961		1962		I		II	
		IV	I	IV	I	I	II	III	IV
Gross National Product	Bil. dol.	538.6	545.0	553.6	552.0	555.3	562.0		
Personal income	Bil. dol.	427.3	432.0	440.5	439.5	442.6	448.0		
Disposable personal income	Bil. dol.	372.6	375.6	382.7	381.8	384.1	389.3		
Personal consumption expenditures	Bil. dol.	346.1	350.2	356.7	354.9	358.2	363.5		
Durable	Bil. dol.	46.6	46.3	47.6	47.2	47.1	49.7		
Nondurable	Bil. dol.	157.2	159.9	162.0	161.3	163.0	163.7		
Services	Bil. dol.	142.3	144.1	147.2	146.3	148.1	150.1		
Personal saving	Bil. dol.	26.5	25.4	26.0	26.9	26.0	25.8		
Net Government receipts	Bil. dol.	109.2	111.9	114.8	114.9	115.9	n.a.		
Purchases of goods and services	Bil. dol.	112.1	115.2	117.6	116.0	118.2	121.0		
Deficit or surplus (on income and product account)	Bil. dol.	- 2.9	- 3.3	- 2.8	- 1.1	- 2.4	n.a.		
Gross private domestic investment	Bil. dol.	76.6	75.9	76.2	77.4	76.3	75.0		
Fixed investment	Bil. dol.	70.6	69.2	73.1	73.4	75.3	74.5		
Change in business inventories	Bil. dol.	6.0	6.7	3.1	4.0	1.0	.5		
Expenditures for plant and equipment ...	Bil. dol.	35.40	35.70	37.41	36.95	38.35	38.35		
Corporate profits	Bil. dol.	51.1	50.4	51.0	50.7	51.0	n.a.		
Net exports of goods and services	Bil. dol.	3.8	3.7	3.1	3.7	2.5	2.5		
Overall foreign trade balance	Mill. dol.	-5,632	-1,968	-1,916	-904	-2,876p	n.a.		
Population	Millions	184.8	185.5	186.6	186.1	186.8	187.6		
GNP deflator (1954)	1954=100	116.2	116.6	117.4	117.2	117.7	118.1		
Per capita disposable personal income (1962 prices)	Dollars	2,027	2,034	2,051	2,053	2,052	2,063		
Cash receipts from farm marketings, annual rate	Bil. dol.	35.8	35.4	35.7p	35.3	35.5	36.5		
Realized net farm income, annual rate...	Bil. dol.	13.5	12.8	12.9p	12.7	12.8	13.5		

1/ Preliminary estimates by Council of Economic Advisers. 2/ Data for corporate profits are approximations for the year as a whole; data for fourth quarter are not available. All other data incorporating or derived from these figures are correspondingly approximate. 3/ Average of first three quarters based on seasonally adjusted annual rates. n.a. Not available. p. Preliminary. Departments of Commerce, Agriculture and Securities and Exchange Commission

contract negotiations has again injected some uncertainty into the inventory picture, which again may lead to inventory accumulation as a strike hedge.

Manufacturers' new orders moved up somewhat in 1962. New orders for nondurable goods continued increasing slowly, those for durables fluctuated around the fourth quarter-1961 level. December orders were off sharply from the October-November period. For the last 3 quarters, the flow of new orders to manufacturers did not keep pace with increasing sales. Order backlogs in the fourth quarter of 1962 declined from the third quarter and from a year earlier.

Government Demand

Government purchases of goods and services continued to expand in the last 3 months of 1962. Federal and State and local purchases in the fourth quarter totaled \$121 billion, \$2.8 billion above the third quarter rate and \$8.9 billion above a year earlier.

Most of the increase in Federal purchases usually is in defense programs. The increase during the final quarter of 1962 was split about equally between defense related activities and all other categories, mainly because the effect of the Government pay raise occurred almost completely in the October-December period. Future increases in purchases of goods and services by the Federal Government are likely to be mainly in defense activities.

State and local Government purchases at \$57.3 billion increased \$1.8 billion compared with the \$1.5 billion rise in the third quarter. During all of 1962, purchases by State and local Governments rose \$4.6 billion, more than in any other postwar year.

Production and Employment

Industrial production, seasonally adjusted, moved within a 1-percent range for the last half of 1962. The Federal Reserve Index for the fourth quarter was at 119.5, about 4 percent above the same period in 1961. All of the increase occurred prior to last July.

From the third to the fourth quarter of 1962, some increase occurred in the production of iron and steel and other primary metals. Automobile production remained high, but production of lumber products declined. Output of other durable goods was unchanged. Among nondurables, production gains in some industries such as chemicals and apparel goods were largely offset by declines in others such as paper and printing.

Relatively stable levels of production were accompanied by relatively little change in nonagricultural employment and in the labor force. The seasonally adjusted rate of unemployment continued at 5.6 percent of the labor force, the same as the third quarter.

From the fourth quarter of 1961 to the fourth quarter of 1962, the number of nonagricultural payroll employees increased by about 1 million persons after seasonal adjustment. Almost one-third of this increase was in manufacturing payrolls; another third was in the trade and service industries; and the remainder was in government, mainly State and local units.

Price Levels

The Gross National Product price deflator (the ratio of GNP in current dollars to that in constant dollars) in the final quarter of 1962 was up a little more than 1 percent from a year earlier. Since 1958, this index has risen at an average annual rate of about 1.6 percent. (See chart.) Price increases in the services sector contributed greatly to the increase, rising about $2\frac{1}{2}$ percent per year. Prices of final goods and construction items rose more slowly, just under 1 percent per year.

Hourly wage rates have been increasing about 3 percent per year for workers in manufacturing industries, rising from \$2.10 per hour in early 1958 to \$2.41 in the fourth quarter of 1962. Wages in durable goods industries have been higher and have increased faster than in nondurable goods industries. Farm wages, while at lower absolute levels than manufacturing wages, have been increasing at about the same rate as in manufacturing.

The Consumer Price Index has been rising about 1.5 percent per year since 1958. This reflects rises in both goods and services, with services accounting for a greater share of the increase. The services component of the Consumer Price Index has been rising 2.5 percent per year, with increases in costs of medical services, transportation, and recreation important contributors to the rise. The commodity component of the index has been rising about 1 percent per year.

Commodity prices in general have held relatively steady since 1958. Prices received by farmers for all commodities declined 10 percent from the second quarter of 1958 to the end of 1959 and since then have recovered about half the loss. The index of wholesale prices has remained virtually level since 1958, after a gradual rise during 1953-57. Wholesale prices of farm products declined from their 1958 recent-high, but wholesale prices of other commodities, especially processed foods, have risen, holding the overall wholesale price index close to the 1957-59 average.

*** THE 1964 FEDERAL BUDGET ***

In mid-January, President Kennedy forwarded his 1964 budget to Congress. The administrative budget, covering the period from July 1, 1963, to June 30, 1964, provides for \$98.8 billion in expenditures, \$4.5 billion more than the \$94.3 billion estimated for the current fiscal year. Almost all of the increase

Table 6.--Federal Government receipts and expenditures in the national income accounts, fiscal years, 1957-1964

Receipts or expenditures	(Billions of dollars)										Estimate 1/	
	1957	1958	1959	1960	1961	1962	1963	1964				
Receipts:												
Total	80.9	77.8	85.9	95.4	95.5	104.0	108.8	111.4				
Personal tax and nontax receipts	36.7	36.3	38.7	43.1	44.0	47.6	50.1	48.8				
Corporate profits tax accruals	20.4	17.3	21.1	21.8	19.9	21.9	21.7	23.3				
Indirect business tax and nontax accruals	12.1	12.0	12.3	13.9	13.6	14.6	15.3	15.8				
Contributions for social insurance	11.7	12.3	13.8	16.7	18.0	19.8	21.8	23.4				
Expenditures:												
Total	76.5	82.8	90.3	92.2	97.7	105.7	113.2	119.0				
Purchases of goods and services	48.3	50.5	53.9	53.1	54.8	59.8	64.4	68.2				
Transfer payments	16.1	19.4	21.8	22.8	25.9	27.8	29.7	30.9				
Grants-in-aid to State and local Governments	3.6	4.5	6.0	6.7	6.6	7.3	7.8	8.8				
Net interest paid	5.5	5.6	5.8	6.9	7.0	6.6	7.3	7.5				
Subsidies less current surplus of Government enterprises	3.1	2.7	2.7	2.7	3.3	4.2	4.0	3.6				
Surplus or deficit (-) on income and product account	4.4	-4.9	-4.4	3.3	-2.2	-1.7	-4.3	-7.6				

1/ Department of Commerce and Bureau of the Budget.

in expenditures budgeted for fiscal 1964 is accounted for by defense, space, and interest payments on the national debt. During the year starting next July 1, administrative budget receipts are expected to total \$86.9 billion, up \$1.4 billion from the \$85.5 billion expected in the current fiscal year. Anticipated receipts and expenditures for 1964 would result in an \$11.9 billion deficit in the administrative budget, the largest for any postwar fiscal year except 1959.

Government expenditures are determined largely through congressional action. Total revenues, however, will depend on tax rates and the level of economic activity during the fiscal year. The Administration's estimate of 1964 budget receipts presupposes reductions and revisions in the tax structure and is based upon a Gross National Product of \$578 billion in calendar 1963.

The Budget on a National Income Account Basis

To determine the effect of Government activities on business conditions, the budget on a national income account basis is probably the most useful approach. In contrast to both the administrative budget and the consolidated cash statement, only those receipts and expenditures which directly affect the current flow of income and output are recorded. Table 6 shows the sources of Federal Government receipts and the types of expenditures on a national income account basis. Total receipts in 1964 are estimated to be \$111.4 billion, up \$2.6 billion from the 1963 fiscal year and total expenditures \$119.0 billion, up \$5.8 billion from the same period. The Federal Government deficit on this basis would be \$7.6 billion.

Of total expenditure in fiscal 1964, about 57 percent is expected to be in purchases of goods and services, adding directly to GNP. Total Federal purchases are estimated at \$68.2 billion compared with an annual rate of \$63.7 billion in the fourth quarter of 1962. This is an increase of \$3.8 billion from fiscal 1963.

A major item in the estimation of Federal purchases for fiscal 1964 is the reduction of \$1 billion in the budget for farm income stabilization. A reduction in "inventories and loans outstanding" of the Commodity Credit Corporation reduces Government purchases of goods and services. It is estimated that about half of the \$1 billion reduction in expenditures budgeted for farm income stabilization will appear as a reduction in Government purchases of goods and services.

The Budget for Agriculture and Agricultural Resources

Expenditures for agricultural programs in the July 1, 1963-June 30, 1964 period are budgeted at \$5.7 billion, down \$1.1 billion from the amount expected for the present fiscal year but about equal to the 1959-62 fiscal year average.

Table 7.--Budget expenditures for Agriculture and agricultural resources

(Fiscal year, in millions of dollars)

Description	Actual				Estimate	
	1959	1960	1961	1962	1963	1964
Farm income, stabilization and Food for Peace	5,297	3,602	3,801	4,591	5,256	4,367
Agricultural land and water resources	376	368	397	426	414	414
Rural electrification and telephone loans	315	330	301	303	340	270
Farming and rural housing loans	311	289	349	234	320	230
Research and other agricultural services ...	291	293	324	341	401	415
Total <u>1/</u>	6,590	4,882	5,173	5,895	6,731	5,696

1/ Total is not the same as the Department of Agriculture Budget. Some expenditures by this Department, namely, Foreign donations of commodities; forest resource, milk program, and school lunch program expenditures are not included here.

Bureau of the Budget.

Three-fourths of the total expenditures itemized in the administrative budget for agriculture and agricultural resources in fiscal 1964 is for programs classified under farm income stabilization and Food for Peace. These expenditures are budgeted at \$4.4 billion. This is nearly \$1 billion less than in the current fiscal year. The reduction results largely from anticipated substantial sales by CCC in fiscal 1964 of cotton expected to be placed under price support in 1963.

Cotton legislation will be proposed to make raw cotton available to domestic mills on a basis that will enable them to compete with foreign mills and to make certain basic improvements in the price support program for cotton. Legislative action related to the dairy and feed grain programs will also be proposed.

Sales of commodities under Public Law 480 (Titles I and IV), which constitute the major portion of the Food for Peace Program, are budgeted in fiscal 1964 at about the same level as in 1963.

Budget expenditures for financing rural electrification and rural telephones for fiscal 1964 will be \$70 million less than in 1963, but payments under these programs will be substantially higher. Proposed legislation to authorize the use of collections on outstanding electrification and telephone loans to help finance new loans would reduce needed budget expenditures by \$151 million, to \$270 million for fiscal 1964.

Expenditures to finance farming and rural housing are scheduled at \$230 million in fiscal 1964, \$90 million lower than in 1963. Authority to finance several new activities including rural housing for the elderly, rural renewal and recreational facilities was granted by the last Congress, but reduced expenditures are anticipated for direct loans under the older rural housing program. Expenditures for research and for conservation of agricultural land and water resources are budgeted at about the same level in 1964 as in 1963.

The Economic Report of the President

In his January 21 report to Congress, the President of the United States reported that business conditions had improved substantially since February 1961, a low point in a mild recession. In the course of the 1961-62 expansion, personal income rose by \$46 billion to \$450 billion; net income per farm rose by \$330; civilian nonfarm employment increased by 2 million while the average factory work week was rising from 39.3 to 40.3 hours; and corporate profits reached a record \$51 billion for 1962. Wholesale prices remained stable, while consumer prices rose by only 1.1 percent a year. Also, our balance of payments deficit improved from \$3.9 billion in 1960 to \$2 billion in 1962.

The President emphasized, however, that we still are not fully utilizing our resources. There are still 4 million people unemployed; \$30-40 billion of usable productive capacity lies idle; our economy could readily generate another \$7-8 billion of corporate profits; and the level of labor income could easily be \$18-20 billion higher. President Kennedy believes that our overall economic objectives should be to provide larger product markets, to provide incentives to invest, and thus to provide jobs for the unemployed and for the growing labor force.

To accomplish these objectives, the President has proposed a major reduction in individual income tax rates, in 3 stages, from their present range of 20 to 91 percent to a range of 14 to 65 percent; and a reduction in corporate taxes.

Also, President Kennedy made clear in his report that the Administration intends to use the authority of the Trade Expansion Act to maximum advantage to the end that our agricultural and industrial products have more liberal access to other markets, particularly those of the European Economic Community.

FOREIGN TRADE

U. S. Balance of Payments
Position Shows Improvement

In 1962, the overall payments deficit of the United States was around \$2 billion, an improvement over the deficit of \$2.5 billion in 1961 and over the average deficit of \$3.7 billion in 1958, 1959, and 1960. This improvement resulted primarily from high advance debt repayments and a decline in net outflow of private U. S. capital. Although merchandise exports increased by nearly \$1 billion in 1962 over 1961, imports rose more, reducing the trade balance by \$0.7 billion.

Advance repayments of loans by France, Italy, and Sweden and the sale of securities to Italy and Switzerland contributed \$900 million to U. S. receipts in 1962. U. S. private long-term investment abroad continued at a rate of about \$2.5 billion, but short-term capital outflow was less than half the levels of 1960 and 1961, reflecting in part a reduction in the flow of bank credit to Japan. Although U. S. military expenditures abroad continued upward, they were substantially offset by increased military purchases from the United States by foreign countries, particularly through accelerated payments by West Germany against current and future defense procurements.

Agricultural Exports Maintain
Record in Calendar 1962

Exports of agricultural commodities in calendar 1962 were about equal to the \$5.0 billion record in 1961. During the first half of 1962, exports were running about 5 percent higher but were smaller than a year earlier in July-December 1962. Exports of farm products were equal to more than 15 percent of total farm output in 1962. During the marketing year 1961-62, export markets absorbed more than half of U. S. production of wheat and rice, around one-third of our cotton, tobacco, and fats and oils, and substantial quantities of feed grains and other products.

Exports of dairy products increased from 660 million pounds (milk equivalent) in 1961 to over 1,200 million in 1962, due to increased Government deliveries. Exports of poultry meat increased from 260 million pounds (ready-to-cook basis) in 1961 to about 280 million in 1962. All of the poultry increase occurred before the introduction of the Common Market regulations on August 1, 1962.

Exports of wheat and flour declined from an equivalent 730 million bushels in 1961 to around 600 million in 1962. Increased production, both in countries which normally import from the United States and in competing exporting countries, was chiefly responsible for the decline. Exports under P. L. 480 were about maintained; dollar sales accounted for nearly all of the decline. Exports of feed grains and products reached a record high of 18 million short tons in 1962.

Cotton exports declined to an estimated 3,800,000 running bales in 1962 from 6,392,000 bales in 1961. Increased competition from larger supplies in foreign producing countries was mainly responsible for the decline.

Exports of unmanufactured tobacco are estimated at 480 million pounds (export weight) in 1962, down from 501 million in 1961. Exports were limited by large stocks in some importing countries, increased competition, and the larger-than-normal quantity of low-quality leaf in the 1962 flue-cured crop.

Soybean exports rose to 160 million bushels in 1962 from 133 million in 1961. All soybean exports were sales for dollars. Limited supplies in other exporting countries, particularly Mainland China, and a continuing strong foreign demand for soybean meal for livestock feed have bolstered U. S. exports.

Agricultural Exports Maintained Despite Downward Pressures

Continuing high levels of economic activity and large holdings of gold and dollars abroad indicate strong potential demand for U. S. exports. There are, however, several factors exerting downward pressure on exports in early 1963.

U. S. agricultural exports received a setback, at least temporarily, from the dock strike on the Atlantic and Gulf Coasts from December 23 to January 26. Exports of several major commodities, including grains, cotton, and soybeans, were brought to a virtual standstill. Much of the consequent loss in exports will likely be recovered with the resumption of shipping activities, although some orders may have been placed with other suppliers.

The system of variable import levies under the Common Agricultural Policy of the European Economic Community became effective on July 30, 1962. About 20 percent of U. S. farm exports are shipped to Common Market countries, and about 30 percent of these exports are affected by the variable levies. The new import duties are designed to offset price differentials between world prices and prices within the Common Market and are expected to limit U. S. exports of wheat flour and poultry meats.

Despite these uncertainties, total agricultural exports likely will be maintained at relatively high levels in the current fiscal year. EEC countries are not likely to produce sufficient supplies of feed grains and quality wheat

in the immediate future. Other commodities such as soybeans, cotton, lard, and tallow will not be restricted by the EEC variable levies. Also, there has been some crop damage in Europe this year as a result of the severe winter. Government-financed export programs and export assistance will continue to add support to total farm exports.

Agricultural Imports Maintain Volume, But
Decline in Value in 1952-62

The total annual value of U. S. agricultural imports for consumption trended downward over the 1952-62 period. The decline is attributed to lower prices, principally for commodities which do not compete directly with domestically produced commodities. While agricultural imports declined, total merchandise imports were generally rising. Consequently, over the years 1952-62, agricultural imports as a proportion of general merchandise imports fell from around 40 percent to around 25 percent.

The average value of agricultural imports in the early part of the decade, calendar years 1952 through 1956, was \$4.1 billion; in 1957-61, the average value fell to \$3.9 billion. Imports in 1962 were around \$3.8 billion, up slightly from the \$3.7 billion imported in 1961.

In 1962, the volume of agricultural imports, excluding rubber, was equivalent to about 14 percent of U. S. farm output. And in 1962 the estimated volume of agricultural imports was around 7 percent smaller than exports. The quantity index of agricultural imports has remained above 100 (average 1952-54) each calendar year since 1958. In 1961, volume rose to 107 from 103 while value declined. In 1962, volume continued to increase, with notable increases in beef and veal and in apparel wool. Both competitive and noncompetitive imports contributed to the recent rise in volume.

Imports of supplementary (partially competitive) commodities declined both in value and volume in the first half of the 1952-62 period but trended upward from 1956. Larger imports of meats, cattle, cheese, and sugar accounted for most of the rise. Imports of dutiable wool have trended downward since 1952, but there was an increase from 90 million pounds (clean content) in 1961 to 120 million pounds in 1962. Supplementary imports totaled \$2 billion in 1962.

Gains made by competing foreign commodities in U. S. markets have been more than offset by gains of U. S. farm commodities in foreign markets, because U. S. exports have been rising faster than supplementary imports. The ratio of supplementary imports to farm exports declined from 51 percent in 1952-56 to 44 percent in 1957-61. In 1961, supplementary imports were 39 percent of farm exports.

In 1957-61, the volume of imports of complementary (noncompetitive) commodities was 3 percent greater than the 1952-56 volume. As a result of price declines in major commodities, such as coffee, cocoa, and rubber, the value of complementary imports decreased to \$2 billion per year in 1957-61 from an average of \$2.4 billion in 1952-56. Complementary imports were about \$1.8 billion in 1961 and in 1962.

Coffee imports remained at high levels throughout the 1952-62 period, reaching a peak of 3,076 million pounds in 1958. Imports since 1958 have remained near that level. Large world surpluses of coffee have depressed prices severely in recent years. Consequently, the value of coffee imports has fallen despite the high volume. A world coffee agreement was established in 1962 to stabilize coffee trade and maintain world prices. The agreement will become effective April 1963 if fully ratified. Brazil and Colombia are the leading suppliers of U. S. coffee imports. Imports of cocoa and cacao beans also fell in value but were maintained in volume. Imports in 1961 were a record 771 million pounds; in 1962 they were somewhat lower.

Carpet wool imports of 191 million pounds (clean content) in 1959 were at their highest level since 1952. Duty-free wool imports totaled 157 million pounds (clean content) in 1961 and declined to about 145 million in 1962.

Crude natural rubber imports have trended downward through the last decade, continuing a general postwar decline. Rubber imports have been below 1 billion pounds in each of the last 3 calendar years. Synthetic rubber has been increasingly substituted for natural rubber.

CURRENT COMMODITY SITUATION

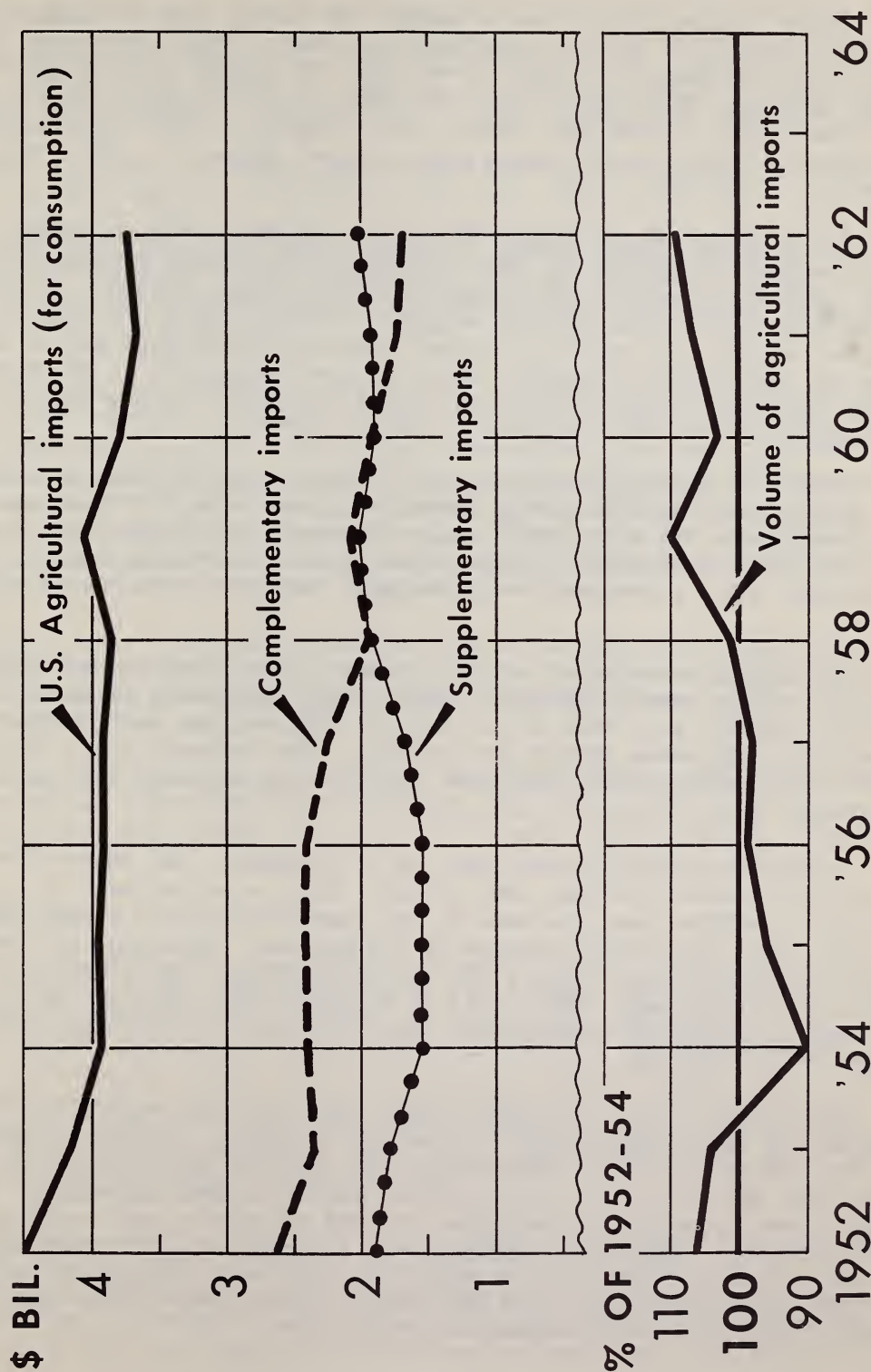
Livestock and Livestock Products

Meat Animals

Red meat production in the first half of 1963 will be above year-earlier production. The meat supply will include more beef and pork but less veal and lamb and mutton.

Large supplies of fed beef are in prospect for the first half of 1963. A record total of 8,951,000 head of cattle and calves were on feed January 1, 1963, in 28 States. This was 12 percent greater than a year before. The largest increase, 24 percent, was in the Western States. The rise in the Corn Belt States was 7 percent.

U. S. AGRICULTURAL IMPORTS



1962 DATA CONSISTS OF ACTUAL DATA THROUGH NOVEMBER PLUS DECEMBER ESTIMATE

Cattle feeders intentions to market fed cattle from the January 1 inventory during the first quarter were 9 percent above actual marketings a year earlier from the January 1, 1962, inventory. It appears that feeders will be able to carry out their intentions. The bulk of first-quarter marketings comes from cattle on feed that weigh over 700 pounds. There were 11 percent more animals in the over-700-pound group on feed January 1, 1963, than a year earlier.

The average dressed weight of cattle slaughtered under Federal inspection decreased during most of 1962, but weights have been increasing since October. By mid-January, the average weight of steers sold out of first hands at 7 markets equaled year-earlier weights. Through the first half of 1963 slaughter weights are expected to equal year-earlier weights and in the spring may exceed year-earlier weights. Gains in beef production in the first half of this year over a year earlier will reflect gains in cattle numbers rather than weights.

Prices of choice steers sold out of first hands at Chicago declined about \$2 per hundredweight during December but were about \$1.50 above the \$26.13 average for December 1961. Since December, prices have not dropped so fast, but they are expected to fall below year-earlier levels in late winter and continue below a year-earlier throughout the rest of the first half of 1963.

Hog producers reported, in the December 1 Pig Crop Survey, a total of 44.5 million pigs saved during the June-November farrowing season of 1962. This was 5 percent more than in the fall of 1961 and was next to the record 47.6 million pigs saved in the fall of 1943. The increase over a year earlier was the result of 4 percent more sows farrowed and a record 7.23 pigs saved per litter.

Producers reported intentions, as of December 1, to farrow 7.2 million sows in the December 1962-May 1963 period. This is an increase of 3 percent over the 7.0 million sows farrowed in the comparable period a year earlier but 7 percent under the 1951-60 average of 7.8 million. Allowing for trend in the number of pigs saved per litter, the 1963 spring pig crop is expected to total about 51.5 million head. This would be 4 percent more than the 49.7 million pigs saved in last year's spring pig crop but about 4 percent below the 1951-60 average of 53.4 million.

The impact of the 5 percent larger 1962 fall pig crop will be concentrated in the March-June period. These are the months for the slaughter of hogs from the peak of fall farrowings. The greatest gain over a year earlier in the 1962 fall pig crop occurred in the months of peak farrowing. The number of pigs saved in August and September of 1962 exceeded a year earlier by 7 percent or more. Therefore, hog slaughter is expected to increase sharply in late winter and to continue at a relatively high level throughout spring. Barrow and gilt slaughter during March-June of this year likely will be near a record high level for these months set in 1944.

The large volume of pork is expected on the market when both broilers and beef will be in large supply. Consequently, prices for slaughter hogs from late winter through early summer of 1963 likely will average below a year earlier. If the 1963 spring pig crop is up 4 percent, as per reported intentions, the price weakness probably will prevail through the last half of 1963.

The reduction in sheep numbers that has been in progress for the past 3 years may be slowed or even halted this year. In the 1961-62 winter period, a large number of lambs from the stock sheep inventory were sold for slaughter. This pushed total sheep and lamb slaughter, in the first quarter of 1962, 2 percent above slaughter in the same quarter a year earlier. In the first quarter of this year, a smaller number of lambs from the stock sheep inventory is expected to be slaughtered.

First-quarter slaughter of sheep and lambs may be 15-20 percent under that of a year earlier. Slaughter supplies during January-March will come mainly from lambs out of the 1962 crop, particularly the late lamb crop. The 1962 lamb crop was 4 percent smaller than in 1961. Favorable grazing conditions last summer led to a large proportion of the 1962 lamb crop going to slaughter before the end of the year. Slaughter during the late summer and fall period equaled that of a year earlier. Therefore, fewer lambs were available to carry into the January 1 sheep and lamb inventory.

There was a 5 percent reduction from a year earlier in the number of sheep and lambs on feed for market in 26 States on January 1, 1963. Estimates of the decrease in the beginning inventory of other classes of sheep and lambs will be available on February 13.

Prices received for lambs during January-March this year will reflect reduced supplies and probably will average about \$2 above prices last year. In mid-December, the average farm price for lambs was \$17.90 per hundredweight--\$2.40 above a year ago.

Dairy Products

In 1962, average prices farmers received for all wholesale milk were \$4.11 per hundredweight compared with \$4.23 in 1961. During the last quarter of 1962 they averaged about 14 cents per 100 pounds lower than a year earlier. Based on January data, prices of all wholesale milk in the first quarter of 1963 are expected to average about 15 cents per hundred pounds lower than the same period of 1962. Prices for manufacturing milk are seasonally above the support level of \$3.14. Prices for milk eligible for fluid use are moving downward as seasonal increases in production reduce the proportion of output used for the higher-valued fluid purposes.

Based on monthly estimates, total output for 1962 was a record 126.5 billion pounds, up about 1 percent from the previous record set in 1961. During October and November, milk production ran 1 percent above a year earlier. Milk production in December was 0.2 percent larger than in December 1961. Production in the first quarter of 1963 may be above the first quarter of 1962.

Despite higher production, about 6 percent less milk was used for butter and about 3 percent less for cheese in the last quarter of 1962 than a year earlier. The use of milk increased in other manufactured products, particularly evaporated milk, and sales of fluid milk and cream continued to grow. In January-November 1962, sales of fluid whole milk were 1 percent above year-earlier levels in major markets.

During the first quarter of 1963, CCC purchases of dairy products under the price support program will be below the record highs of 1962. In February and March 1962, sales to CCC were high because the April 1 drop in Government purchase prices for butter, cheese, and nonfat dry milk was anticipated. More stable expectations for 1963, a slightly larger commercial market for dairy products, and only slightly increased production will keep CCC purchases in February and March below the February-March 1962 level. In calendar year 1962, CCC took 403 million pounds of butter, 214 million pounds of American cheese, and 1,378 million pounds of nonfat dry milk. This was 10.6 billion pounds of milk equivalent, 8.4 percent of production. Deliveries were 8.5 percent of milkfat output and 12.7 percent of solids-not-fat. During the last quarter of the year, CCC purchases of butter and cheese fell below year-earlier levels.

Beginning commercial stocks of manufactured dairy products for 1963 were over 4 billion pounds of milk equivalent, about 3/4 billion pounds below the 1962 year-end level. The seasonal decline in stocks of manufactured dairy products during the fall of 1962 was less than a year earlier, and a larger proportion of butter production was used for consumption.

Retail prices of all dairy products were steady during the last quarter of 1962, at about 1 percent below the same period of 1961. They are expected to change little in the first half of 1963. The retail price of fluid milk will be at about 1962 levels during January-March 1963, but butter prices are expected to be about $1\frac{1}{4}$ cents below January-March 1962 because of the lower price support level.

Poultry and Eggs

Egg prices in September-December 1962 averaged 36.4 cents per dozen compared with 35.9 cents in the same period of 1961. Considering that egg supplies were greater than a year ago during this period, prices to producers would have been expected to be lower. An important element in this recent price strength and one that is likely to continue over the next several months appears to be a large reduction in marketing costs. This, in turn, seems to be associated with a sharp decline in the number of farm flocks and an offsetting increase in large-scale egg enterprises. This change in the structure of the egg industry has been going on for years. However, between the latter part of 1961 and the latter part of 1962 the rate of change was greatly accelerated. Egg production during this period decreased in the Midwest and increased in the South and West.

In mid-December, the farm price for eggs average 36.4 cents per dozen compared with 36.6 cents in mid-November and 35.2 cents in mid-December 1961. Prices for large eggs declined between mid-December and the third week of January and were mostly a little lower than a year earlier.

Egg production now is running slightly under the early 1962 level. In the first half of 1963, the Nation's laying flock is expected to average a little smaller than a year earlier and the rate of lay is not likely to be up enough to be fully offsetting. The rate of egg production on January 1 was below a year earlier by 1 percent; layer numbers were also down 1 percent. In the second half of 1963, the number of layers on farms is expected to be rebuilt to the 1962 level. Consequently, egg production during the second half of 1963 is likely to exceed output in the same months of 1962, with most of the increase coming in the last quarter.

Broiler production is being cut back. Egg settings for broiler chick production dipped below a year earlier in the week which ended December 29 for the first time since the previous July and have since continued close to the 1962 level. However, supplies of broilers going to market in the first quarter will be about 10 percent greater than in January-March 1962.

Broiler prices to producers this past December averaged 14.6 cents per pound compared with 15.2 cents in December 1961. Prices may continue below a year ago throughout the first quarter. In the second quarter, broilers will face stiffer competition than in April-June 1962 from large supplies of pork and beef. In addition, exports are likely to be lower during this period because of more restrictive trade barriers recently erected by the Common Market.

More turkeys are likely to be raised in 1963 than the 92 million in 1962, but the increase probably will be small. In a recently released report, growers revealed plans to raise 3 percent more heavy-breed turkeys and 2 percent more light-breed turkeys. Judging from testings to date, about the same number of turkey breeder hens are on hand as a year earlier. A breeder flock this large could easily support the intended increases in turkey production in 1963. Higher prices to producers in 1962 than in 1961 and lower inventories of frozen turkey now on hand are the factors behind the prospective increase. The weighted-average price received for turkeys by producers was about 21.6 cents per pound compared with 18.9 cents in 1961. Turkey prices in 1962 rose from 18.2 cents per pound in January to 23.1 cents in December. In January 1962, prices averaged 7 cents per pound below the January 1961 level, but by the end of the year they were 4.6 cents above it. Prices are likely to continue much higher than a year ago in the first half of 1963. Cold-storage holdings of frozen turkey on January 1, at 200 million pounds, were down from last year's record of 263 million but significantly above the average of 162 million of the preceding 5 years.

Wool

World wool prices can be expected to remain at the relatively high levels of early 1963 until after Easter. This strong price situation reflects the short wool supply in most producing and consuming countries, lower world production than a season earlier, and relatively stable total mill use. World wool prices advanced slowly in most world markets from October to the holiday recess in mid-December. Increasing world tensions associated with the Cuban crisis and the India-China border conflicts have tended to keep market prices moving upward. At the reopening of sales in January, wool prices advanced an additional 2 to 5 percent above mid-December levels.

The average price received by U. S. wool growers for shorn wool during the 1962 marketing season has been 3 to 4 cents (grease basis) above the corresponding month of the 1961 marketing season. This will result in a 1962 season average price moderately above the 42.9 cents per pound received in 1961 and a resultant lower incentive payment rate for 1962. The incentive level for the 1963 marketing year (April 1, 1963 to December 31, 1963) has been established at 62 cents per pound, the same as in the previous year.

Domestic consumption of wool--mill use plus the raw wool equivalent of the import balance of foreign trade in wool textile products--totaled approximately 570 million pounds in 1962, 7 percent greater than in 1961 and 17 percent more than the 1955-59 average. This increase was due to a substantial rise in imports of apparel wool textile products and moderate increases in mill use of apparel and carpet wools. In 1963, domestic wool consumption can be expected to total about the same as in 1962.

Mill use of apparel wool during 1962 totaled slightly less than 280 million pounds, scoured basis, compared with 263 million pounds in 1961. The worsted system's share of the total increased, and a larger proportion of the finer grades of wool were used in 1962 than a year earlier. Carpet wool mill use during 1962 amounted to approximately 150 million pounds, slightly above the 147 million consumed in 1961.

On a raw wool equivalent basis, U. S. foreign trade in wool textile products in 1962 led to a record high import balance, surpassing the 1960 high of 127 million pounds. Imports of apparel wool items--tops, yarn, fabric, blankets, wearing apparel, and miscellaneous manufactures--in 1962 totaled a record high of approximately 65 million pounds compared with the previous high of 55 million in 1960.

During 1962, imports of dutiable wools increased, while imports of duty-free wools decreased. There was an increase in demand for dutiable wools due to increased mill use of apparel wool and lower U. S. wool production. The decrease in imports of duty-free wools reflected a working down of commercial stocks. In addition, there was an increase in the imports of the finer grades of both the dutiable and duty-free wools.

U. S. shorn wool production in 1962 was preliminarily established at 248.8 million pounds, grease basis, down about 12.5 million from the previous year. A further decrease in domestic shorn wool production is expected in 1963, reflecting the continued decline in the numbers of sheep during 1962.

Crops

Wheat

Disappearance of wheat in the 1962-63 marketing year is expected to be substantially below that of a year earlier, with all of the decline in exports. Domestic use of wheat will be about the same as in most recent years, around 600 million bushels, and exports may be no larger than this amount. Exports at this level would be 15 percent below the record 718 million bushels shipped in 1961-62, but they would still be the third largest in history.

Despite the decline in disappearance, the carryover of wheat on July 1, 1963 (the end of the current marketing year) is expected to be reduced for the second consecutive year. It is currently estimated at 1,200 million bushels, 100 million less than July 1, 1962. A cut in stocks would result from the small 1962 crop, which was reduced by the special wheat program in effect for that year. The 1962 crop totaled 1,092 million bushels, 12 percent below that of 1961.

The season average price to farmers was estimated in December 1962 at \$2.02 per bushel. This is 19 cents above the average price in 1961-62 and 2 cents above the national average loan rate for the 1962 crop.

Farmers signed up to divert 5.2 million acres of winter wheat land under the voluntary 1963 wheat program. Most farmers probably will comply with their sign-up intentions rather than lose their price support eligibility and their production and diversion payments under the program. Spring wheat acreage will be signed up during the period February 1 through March 22. Assuming a total diversion of about 7 million acres and a continuation in the upward trend in yield per acre, a crop of about 1,225 million bushels would be produced in 1963.

Rice

The rice supply for the 1962-63 marketing year is estimated at 70.1 million cwt., rough rice equivalent. This large supply results from a record 1962 crop which more than offsets a small beginning carryover. Domestic disappearance is expected to rise slightly in 1962-63 as a result of increased food use of rice. Exports are expected to increase considerably, rising by as much as 10 percent over those of 1961-62. The carryover on August 1, 1963, may total about 9.0 million cwt., up substantially from the low level of 5.3 million at the beginning of the 1962-63 marketing year. The 1962-63 average price to farmers is currently estimated at \$5.02 per cwt., slightly below the price received in 1961-62 but still 31 cents per cwt. above the support rate.

Feed Grains

The total supply of feed grains for 1962-63 is now estimated at 215 million tons, 5 percent less than in 1961-62. The 1962 crop of 143 million tons was slightly larger than in 1961, but the carryover, totaling 72 million tons, was about 13 million tons smaller. Total disappearance of feed grains in October-December was 5 percent less than in that quarter of 1961, but 7 percent above the 1956-60 average. Domestic consumption of the 4 feed grains during October-December was 7 percent below the heavy disappearance in that period of 1961. Exports so far this marketing year have been above those in the first quarter of 1961-62, but the level of exports for the remainder of the current year is expected to fall below last year's record movement. Assuming domestic disappearance and exports combined will be about equal to the 155 million tons in 1961-62, the carryover at the close of the current marketing year would be about 15 percent below the 72 million tons carried over into 1962-63.

While domestic use of corn continued above average in October-December 1962, it was about 8 percent below the record use in that quarter of 1961. Exports of corn for the quarter totaled about 108 million bushels, a new record, and 13 million bushels higher than a year ago. Assuming domestic use of corn for the entire 1962-63 marketing year will be a little above the 3,559 million bushels for 1961-62 and exports will total around 375 million bushels, total disappearance would be close to 4.0 billion bushels. Disappearance at this level would leave a corn carryover next October 1 of around 1.3 billion bushels, down 340 million from October 1, 1962, and more than 700 million from October 1, 1961.

Feed prices averaged slightly higher during October-December 1962 than in that period of 1961, and high-protein feed prices averaged 20 percent higher. The generally good demand by cattle and hog producers along with the decline in market receipts and smaller Government sales of corn during December and early January have given strength to the price of corn and other feeds this winter. Corn prices at Chicago rose 10 to 12 cents per bushel from mid-November to mid-January. No. 3 yellow corn at Chicago averaged \$1.17 per bushel in mid-January, 10 cents above a year earlier.

The Department of Agriculture recently announced revised support levels for 1963 crops of feed grains. The support price for corn will consist of a loan of \$1.07 and a payment to be made in kind (or in cash equivalent) of 18 cents per bushel. The total support of \$1.25 per bushel is 5 cents higher than in 1962. The support level for grain sorghums is \$2.00 per cwt., with the loan set at \$1.71 and the price support payment at 29 cents. The support price for barley is 96 cents per bushel, including a loan of 82 cents and a payment-in-kind of 14 cents. The price support for oats is 65 cents per bushel. There will be no price support payment for oats, because this grain is not included in the acreage diversion program. Farmers must comply with acreage diversion provisions of the program for corn, grain sorghums, and barley to be eligible for price supports for these 3 grains. Farmers diverting 20 percent of their 1959-60 base acreage will receive a payment based on 20 percent of the normal production of the diverted acreage, valued at the county support price (based on the national average of \$1.25 per bushel in the case of corn). The payment for acreage diversion from 20 to 40 percent of the base will be based on 50 percent of the normal production.

Oilseeds, Fats and Oils

Food fat supplies for the 1962-63 marketing year, which began October 1, 1962, are estimated at a record 16.6 billion pounds (in terms of oil). This represents an increase of about 5 percent above the 15.8 billion pounds available last year. Increases in both domestic disappearance and exports are expected to result in total disappearance 8 percent above 1961-62 and an all-time high. Carryover stocks of all food fats on October 1, 1963, may be down about 5 percent from the 2.6 billion pounds (including shortening, cooking and salad oils, and the oil equivalent of soybeans) on the same date last year. The decrease reflects mainly a reduction in the inventories of finished products.

Exports of food fats in 1962-63 again are expected to set new records. Total exports (including the oil equivalent of soybeans) should reach a new peak of around 4.8 billion pounds compared with 4.1 billion pounds last year. Increased amounts of soybean oil, soybeans, and butter are expected to move out during the current marketing year. However, about the same volume or slightly more cottonseed oil and less lard will be shipped this year than last. About 45 percent or almost 2.2 billion pounds of the total food fat exports will be comprised of cottonseed and soybean oils. Exports of these edible vegetable oils under the Food for Peace Program (all Titles of P. L. 480) are expected to total around 1.2 billion pounds compared with 1.0 billion during 1961-62.

Soybean prices to farmers showed considerable strength during October-December 1962, averaging \$2.29 per bushel, 3 cents above the same period in 1961. The 1962 national support price, at \$2.25, is 5 cents below the 1961 support.

Prices should continue to average well above support. CCC has been selling its holdings of soybeans rapidly during January and currently owns less than 10 million bushels of 1961-crop soybeans. However, the corporation is expected to take over some 1962-crop soybeans next June 1 and possibly some 1961 resealed soybeans. As a result, CCC probably will be a supplier of beans next summer. The resale price for 1961- and 1962-crop beans will be at least the county support rate for 1962-crop No. 2 soybeans plus 19 cents per bushel.

The 1962-63 soybean supply, at 733 million bushels, is 47 million bushels above last year and due entirely to larger starting stocks on October 1, 1962. Crushings should total around 460 million bushels, an increase of about 5 percent over last year. Soybean exports are expected to reach 175 million bushels, 14 percent greater than in 1961-62. A carryover stock of around 55 million bushels will be available on September 30, 1963, about the same as a year earlier.

Lard production during the 1962-63 marketing year is estimated at 2,575 million pounds compared with 2,482 million in 1961-62. Lard prices during October-December averaged 8.7 cents per pound compared with 8.5 cents a year before. Mid-January prices were quoted at 8.0 cents and probably reflected the seasonal low. A slight rise is expected during the rest of the marketing year. Hog slaughter and lard output during the next few months probably will be slightly above a year earlier as the 5 percent larger 1962 fall pig crop is marketed.

Fruit

Much lighter supplies of citrus fruit will be available in the first half of this year than during the same time last year, mainly the result of severe freezing weather this winter. But supplies of pears and grapes are up considerably and those of apples are up a little. Prices for citrus fruits, especially oranges and grapefruit, up considerably since the December freeze in Florida, are expected to continue above year-earlier levels. Year-end stocks of canned fruits probably were up a little and those of canned and frozen citrus juices up substantially from a year earlier.

Citrus groves in all principal citrus States have been struck by damaging cold weather this winter. Prospective production was cut considerably in Florida by the December freeze. However, much fruit was salvaged by processing. It was expected that most of the damaged citrus in California and Arizona, where freezes struck in January, could be salvaged by processing.

Important consequences of the freezes are: (1) Reduced supplies, especially oranges and grapefruit, suitable for fresh shipment; (2) current heavy output of canned and frozen citrus juices, resulting largely from salvage operations; and (3) sharply increased prices. The condition of reduced supplies and increased prices for fresh citrus probably will persist at least to midyear. But the present condition of increased supplies of canned and frozen juices will shift later in the year. The late-season pack will be down as normal supplies of citrus for that period were reduced by freezes and emergency salvage. A net decrease in canned and frozen stocks is expected.

Year-end stocks of fresh apples in cold storage were about 2 percent larger than on January 1, 1962. Those of fresh pears were up 55 percent. Grower prices for apples have increased a little since the seasonal low in October, and in mid-January they were around the levels of a year earlier. But prices for the large supplies of pears have continued below year-earlier levels. Year-end stocks of grapes also are up, and prices continue somewhat lower than a year ago.

The 1962-63 pack of canned fruits, not yet completed, may slightly exceed the record 1961-62 pack. Output of canned peaches and fruit cocktail each set a new record again this season. Year-end stocks probably were somewhat above the heavy stocks a year before. Production of dried fruits in 1962-63 is indicated to be moderately smaller than in 1961-62, mainly because of a considerable reduction in raisins. Output of frozen deciduous fruits also was smaller in 1962, and year-end stocks were down a little. Stocks of processed deciduous fruits--canned, dried, and frozen--normally decline during the first half of the year, then increase as processing of fruit from the new crops becomes general. In contrast, stocks of processed citrus usually build up during the first half of the year, then decline.

Total production of noncitrus fruits in 1962 was slightly below 1961 but 6 percent above the 1951-60 average. The 1962 crop of edible tree nuts was 36 percent smaller than the record 1961 crop and the lightest since 1950.

Commercial Vegetables

Fresh

Supplies of vegetables for fresh market in February-March are expected to be smaller than a year earlier. Substantially smaller supplies are in prospect for most tender items--such as snap beans, sweet corn, eggplant, green peppers, and tomatoes which were hard hit by the December and January freezes in winter-producing areas. Although hardier vegetables suffered less damage from the cold, supplies of a number of these items also are likely to be smaller than last winter.

Consumer income is expected to continue at a high level, and demand for vegetables will remain strong. With smaller supplies in prospect, prices of fresh vegetables during the next 6 to 8 weeks probably will average above a year earlier.

Processed

Supplies of canned vegetables available into mid-1963 appear to be moderately larger than a year earlier. Remaining supplies of canned sweet corn, tomato juice, and most tomato products are materially larger than at this time last year, and those of canned tomatoes, asparagus, and pumpkin and squash are slightly to moderately larger. Holdings of sauerkraut, lima beans, and green peas probably are near those of last year. But supplies of snap beans and cucumber pickles appear to be smaller than those of a year earlier. Cold-storage holdings of frozen vegetables, excluding potatoes, are about the same as a year ago, with most important items in ample to heavy supply. But supplies of frozen asparagus and green peas appear to be a little light relative to expected trade needs. Holdings of frozen potato products are materially larger than a year ago.

Movement of processed vegetables into midyear probably will be a little larger than a year earlier. But with ample to heavy supplies of most items on hand, competition for sales will be keen. Prices of canned corn, tomato juice, and most tomato products may average a little below prices in the first half of 1962. But prices of most other major canned items and prices of frozen vegetables are likely to average about the same to slightly higher than those of a year earlier.

Potatoes and Sweetpotatoes

Supplies of potatoes available for marketing into midspring are smaller than a year ago but larger than the recent 10-year average. Storage stocks of late summer and fall potatoes on January 1, 1963, amounted to almost 118 million hundredweight, 5 percent less than a year earlier but well above the average of recent years. Into midspring, prices to growers for these storage potatoes are expected to continue substantially above the low levels of a year earlier. Indicated production of winter potatoes, at 3.8 million hundredweight, is down almost a tenth from last winter.

Remaining supplies of sweetpotatoes appear to be materially larger than a year earlier. Total production of sweetpotatoes in New Jersey, Virginia, North Carolina, Louisiana, Texas, and California was about a fourth larger than last season. This production together with unloads data through mid-January indicate heavier supplies in the last half of the season than a year earlier. These 6 states, which store a large part of their production, furnish the bulk of marketings from January through June. With larger supplies available, prices to growers for the remainder of the season probably will average significantly below those of a year earlier.

Cotton

The U. S. disappearance of cotton during the 1962-63 season is expected to fall short of production, resulting in an increase of carryover to around 10.0 million bales on August 1, 1963, 2.1 million bales more than on the previous August 1.

disappearance of cotton during the current season is expected to drop about 1.1 million bales from a year earlier, while the 1962 crop may total 400,000 bales larger than in 1961. The drop in disappearance reflects declines in both mill consumption and exports.

U. S. mill consumption for the 1962-63 season is estimated at 8.3 million bales, 700,000 bales below the 9.0 million consumed in 1961-62. Smaller consumption is expected because of a turndown in the cotton consumption cycle and record-high imports of cotton textiles and production of synthetic fibers. U. S. exports are expected to total around 4.5 million bales in the current season, 400,000 bales below a year earlier. U. S. growers of cotton have encountered increased competition from a record crop of cotton in the foreign free world.

The 1962 U. S. cotton crop was estimated at about 14.7 million running bales as of December 1, 1962, about 400 thousand larger than the 1961 crop and the largest since 1953. The 1962 crop was produced on a slightly smaller harvested acreage than the 1961 crop, an estimated 15.5 million acres compared with 15.6 million the previous year. The 1962 average yield per harvested acre was estimated at 455 pounds, 17 pounds larger than in 1961, the highest since 1959, and exceeded only by the records in 1958 and 1959.

U. S. imports of cotton textiles in the first 11 months of calendar 1962, the equivalent of 595,800 bales of cotton, were record large. This is 71 percent above the 349,400 bale equivalent imported in the comparable period in 1961 and 22 percent higher than the previous record of 487,500 bales in 1960. Imports during November were equivalent to 36,300 bales, down from 58,000 in October but higher than the 33,500 in November 1961. Exports of cotton textiles in the first 11 months of 1962 were equivalent to 423,400 bales, down from 457,400 in the same period of 1961. U. S. foreign trade in cotton textiles in the first 11 months of 1962 resulted in an import trade balance of 172,700 bales, compared with an export trade balance of 108,000 in 1961.

U. S. production of manmade fibers in the first 3 quarters of 1962 totaled 1,753.4 million pounds, a 25-percent increase over the 1,403.1 million in this period of 1961. Production of both cellulosic and noncellulosic fibers during these 3 quarters showed a sharp increase over the same period a year earlier. The percentage increase in noncellulosic fiber production was greater than for rayon and acetate--30 percent compared with 21 percent.

The average 15 spot market price for Middling 1-inch cotton in December was 33.13 cents per pound, up from the November average of 32.98 cents per pound but below the average of 33.56 cents in December 1961. The December advance in price reversed a downward trend which began in July 1962. For the first 5 months of the 1962-63 season, the average spot market price was 33.10 cents per pound, down from 33.45 cents for the comparable 1961-62 period. The average farm price declined each month from September through December of the current season. The August- December price averaged about 0.60 cent per pound below the same period a year earlier.

Tobacco

Cigarette consumption in 1963 is expected to show a modest gain over 1962, when for the sixth consecutive year both consumption and output of cigarettes set new highs. Cigarette consumption by U. S. smokers in 1962 is estimated at near 510 billion--up about 1 percent from 1961. This rate of increase is less than one-half as much as in each of the previous 3 years.

Estimated consumption of cigars and cigarillos in 1962 was about 7.1 billion, close to 1 percent above 1961. Cigars made entirely or largely of Cuban tobacco continue to be available because stocks of Cuban tobacco stored here prior to the embargo are still substantial. But indications are that substitute tobaccos are gradually replacing the Cuban tobacco component in blended filler cigars. Some further increase in cigar consumption is likely in the year ahead.

The 1962 output of smoking tobacco for pipes and "roll-your-own" cigarettes totaled about 70 million pounds--down 4 million from 1961; no appreciable increase seems likely in 1963. Output of chewing tobacco was probably at $64\frac{3}{4}$ million pounds in 1962, near the 1961 figure. But output of snuff, estimated at $32\frac{3}{4}$ million pounds, declined about 1 million pounds from a year earlier.

Calendar 1962 exports of unmanufactured tobacco (usually an outlet for about a fourth of U. S. production) are estimated at 480 million pounds (export weight)--about 20 million lower than in 1961. Contributing to the decline was the considerable proportion of the 1962 flue-cured crop that was of unacceptable quality.

The 1962-63 total supply of flue-cured is 4 percent above the 1961-62 supply and the largest since 1957-58. The 1962 crop was 11 percent larger than in 1961 and brought an average price of 60 cents per pound--7 percent lower than in 1961. About a sixth of the crop was placed under Government loan. The 1963 national acreage allotment for flue-cured tobacco is 5 percent lower than in 1962.

The 1962-63 total supply of burley is also about 4 percent more than for 1961-62; the 1962 crop was about a tenth larger than a year earlier. Marketings were virtually completed by the end of January, and prices for gross sales averaged about 58.5 cents per pound--12 percent below the record average for the 1961 crop. About a tenth of the burley crop went under Government loan. The 1963 burley acreage allotment is practically the same as in 1962.

The 1962-63 total supplies of fire-cured and dark air-cured (including sun-cured) tobaccos are down about $2\frac{1}{2}$ and 1 percent, respectively, from a year earlier.

For the season through January 25, auction prices for Virginia fire-cured tobacco (type 21) averaged close to those of a year earlier, but prices of Virginia sun-cured were about 4 percent lower than a year earlier. Prices

of Kentucky-Tennessee fire-cured (types 22-23) for early marketings have averaged moderately lower than a year ago. For the Kentucky-Tennessee dark air-cured tobacco, auction prices for marketings through late January for One Sucker (type 35) were down 6 percent from a year earlier, but for Green River (type 36), prices averaged slightly above a year earlier.

The 1962-63 supply of Maryland tobacco is about $7\frac{1}{2}$ percent above 1961-62, due mainly to a larger carryover. The auctions for the 1962 crop are expected to start towards the end of April, as usual.

The 1962-63 supplies of Pennsylvania cigar filler and Ohio filler tobaccos are up about 4 and 8 percent, respectively, from 1961-62. The 1962-63 total supply of the Connecticut Valley binder types is 5 percent below 1961-62, but the total supply of Wisconsin tobacco is almost the same as a year earlier. The 1962-63 total supply of shade-grown cigar wrapper tobacco is 8 percent lower than the record 1961-62 level.

Marketing quotas and acreage allotments are definitely in effect for the 1963 crops of flue-cured, burley, fire-cured, dark air-cured, and sun-cured tobaccos, because growers of these kinds voted 3-year approval in 1961 and early 1962. Referendums will soon be held in which growers of Connecticut Valley binder, Ohio cigar filler, Wisconsin binder, and Maryland tobacco will vote on whether to continue marketing quotas on their 1963, 1964, and 1965 crops. At least two-thirds of the growers voting must vote approval to maintain quotas in effect.

Government price support is mandatory for the tobaccos produced under marketing quotas. The 1963-crop overall price support will be up about 1 percent from 1962. This is the adjustment required by law. The 1959 support levels are adjusted each year to reflect the percentage change between the 1959 parity index and the average of the parity indexes in the most recent 3 calendar years. The parity index is the index of prices paid by farmers, including interest, taxes, and farm wage rates. It measures the average change over time in prices of commodities and services commonly bought by farm families.

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